

**AJIAL REAL ESTATE ENTERTAINMENT
COMPANY K.S.C.P. AND ITS SUBSIDIARY**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION
(UNAUDITED)**

30 JUNE 2017



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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF AJIAL REAL ESTATE ENTERTAINMENT COMPANY K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Ajial Real Estate Entertainment Company K.S.C.P. (the "Parent Company") and its subsidiary (collectively, the "Group") as at 30 June 2017 and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and six months period then ended, interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing; and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Report on review of other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the six months period ended 30 June 2017 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

MOHAMMED HAMED AL SULTAN
LICENSE NO. 100 A
AL SULTAN AND PARTNERS
MEMBER OF BAKER TILLY INTERNATIONAL

24 July 2017
Kuwait

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary
INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)
For the period ended 30 June 2017

	Notes	<i>Three months ended</i>		<i>Six months ended</i>	
		<i>30 June</i>		<i>30 June</i>	
		<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Rental and services income		609,119	617,566	1,244,013	1,258,968
Property operating expenses		(248,660)	(247,586)	(504,753)	(501,223)
Net rental income		360,459	369,980	739,260	757,745
Share of result of associates	5	540,071	562,602	1,561,134	1,547,899
Gain on sale/redemption of financial assets available for sale		-	66,337	-	66,337
Impairment loss on financial assets available for sale		-	-	-	(330,000)
Unrealised gain (loss) on financial assets at fair value through profit or loss		441	(8,368)	(15,295)	(3,241)
Realised gain (loss) on sale of financial assets at fair value through profit or loss		-	17,051	-	(16,792)
Dividend income		-	10,821	-	10,821
Net investment income		540,512	648,443	1,545,839	1,275,024
Total operating income		900,971	1,018,423	2,285,099	2,032,769
Administrative expenses		(172,950)	(119,975)	(344,713)	(259,177)
Net operating income		728,021	898,448	1,940,386	1,773,592
Other income		16,505	21,662	32,958	33,039
Finance costs		(119,726)	(138,201)	(230,685)	(274,580)
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		624,800	781,909	1,742,659	1,532,051
Contribution to KFAS		178	(1,973)	(215)	-
NLST		(15,881)	(17,593)	(44,067)	(34,471)
Zakat		94	(1,973)	(439)	-
PROFIT FOR THE PERIOD		609,191	760,370	1,697,938	1,497,580
BASIC AND DILUTED EARNINGS PER SHARE	3	3.47 fils	4.33 fils	9.68 fils	8.54 fils

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 June 2017

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period	609,191	760,370	1,697,938	1,497,580
Other comprehensive loss:				
<i>Item that are (or) may be reclassified subsequently to interim condensed consolidated statement of income in subsequent periods:</i>				
<i>Financial assets available for sale:</i>				
- Net change in fair values	-	-	-	(330,000)
- Transferred to interim condensed consolidated statement of income on impairment	-	-	-	330,000
Foreign currency translation adjustments of an associate	(31,286)	-	(47,054)	-
Other comprehensive loss for the period	(31,286)	-	(47,054)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	577,905	760,370	1,650,884	1,497,580

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION (UNAUDITED)**
As at 30 June 2017

	Notes	30 June 2017 KD	(Audited) 31 December 2016 KD	30 June 2016 KD
ASSETS				
Non-current assets				
Furniture and equipment		51,213	67,048	82,520
Investment properties	4	64,702,762	64,514,500	64,643,440
Investment in associates	5	63,626,720	61,918,745	55,805,684
Financial assets available for sale		2,855,426	2,855,426	8,648,533
		<u>131,236,121</u>	<u>129,355,719</u>	<u>129,180,177</u>
Current assets				
Accounts receivable and prepayments		100,613	76,040	103,891
Financial assets at fair value through profit or loss		226,541	260,412	239,762
Term deposits	6	1,400,000	1,000,000	1,000,000
Bank balances and cash		170,377	754,747	508,805
		<u>1,897,531</u>	<u>2,091,199</u>	<u>1,852,458</u>
TOTAL ASSETS		<u>133,133,652</u>	<u>131,446,918</u>	<u>131,032,635</u>
EQUITY AND LIABILITIES				
Equity				
Share capital	7	17,640,000	17,640,000	17,640,000
Share premium		5,199,430	5,199,430	5,199,430
Statutory reserve		513,503	513,503	357,386
General reserve		329,872	329,872	173,755
Share options reserve		37,213	37,213	37,213
Capital surplus		2,562,298	2,562,298	2,562,298
Treasury shares	8	(319,250)	(319,250)	(319,250)
Cumulative changes in fair value reserve		254,113	254,113	254,113
Effect of change in accounting policy of investment property		46,118,487	46,118,487	46,118,487
Foreign currency translation reserve		(47,054)	-	-
Retained earnings		47,441,562	45,743,624	46,062,055
Total equity		<u>119,730,174</u>	<u>118,079,290</u>	<u>118,085,487</u>
Non-current liabilities				
Employees' end of service benefits		124,674	104,660	85,869
Term loan		-	-	10,000,000
Murabaha payable	9	10,000,000	10,000,000	-
Accounts payable and accruals		256,309	250,249	243,627
		<u>10,380,983</u>	<u>10,354,909</u>	<u>10,329,496</u>
Current liability				
Accounts payable and accruals		3,022,495	3,012,719	2,617,652
		<u>3,022,495</u>	<u>3,012,719</u>	<u>2,617,652</u>
Total liabilities		<u>13,403,478</u>	<u>13,367,628</u>	<u>12,947,148</u>
TOTAL EQUITY AND LIABILITIES		<u>133,133,652</u>	<u>131,446,918</u>	<u>131,032,635</u>

Sheikh\ Ali Al Abdullah Al Khalifah Al Sabah
Chairman

Sheikh\ Hamad Mubarak Jaber Al Ahmad Al Sabah
Vice Chairman

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2017

	Share capital KD	Share premium KD	Statutory reserve KD	General reserve KD	Share options reserve KD	Capital surplus KD	Treasury shares KD	Cumulative changes in fair value reserve KD	Effect of change in accounting policy of investment property KD	Foreign currency translation reserve KD	Retained earnings KD	Total equity KD
As at 1 January 2017	17,640,000	5,199,430	513,503	329,872	37,213	2,562,298	(319,250)	254,113	46,118,487	-	45,743,624	118,079,290
Profit for the period	-	-	-	-	-	-	-	-	-	-	1,697,938	1,697,938
Other comprehensive loss for the period	-	-	-	-	-	-	-	-	(47,054)	(47,054)	-	(47,054)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	-	-	(47,054)	1,697,938	1,650,884
As at 30 June 2017	17,640,000	5,199,430	513,503	329,872	37,213	2,562,298	(319,250)	254,113	46,118,487	(47,054)	47,441,562	119,730,174
As at 1 January 2016	17,640,000	5,199,430	357,386	173,755	37,213	2,562,298	(319,250)	254,113	46,118,487	-	44,564,475	116,587,507
Profit for the period	-	-	-	-	-	-	-	-	-	-	1,497,580	1,497,580
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	1,497,580	1,497,580
As at 30 June 2016	17,640,000	5,199,430	357,386	173,755	37,213	2,562,298	(319,250)	254,113	46,118,487	-	46,062,055	118,085,487

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)
For the period ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 KD	2016 KD
OPERATING ACTIVITIES			
Profit for the period		1,697,938	1,497,580
Adjustments to reconcile profit for the period to net cash flows:			
Share of result of associates	5	(1,561,134)	(1,547,899)
Gain on sale/redemption of financial assets available for sale		-	(66,337)
Impairment loss on financial assets available for sale		-	330,000
Unrealised loss on financial assets at fair value through profit or loss		15,295	3,241
Realised loss on sale of financial assets at fair value through profit or loss		-	16,792
Dividend income		-	(10,821)
Interest income		(10,905)	-
Gain on disposal of furniture and equipment		(1,100)	-
Depreciation		18,140	17,721
Provision for employees' end of service benefits		28,014	11,613
Finance costs		230,685	274,580
		<u>416,933</u>	<u>526,470</u>
Working capital adjustments:			
Accounts receivable and prepayments		(24,573)	(19,594)
Accounts payable and accruals		17,775	(37,958)
Cash flows from operating activities		<u>410,135</u>	<u>468,918</u>
Employees' end of service benefits paid		(8,000)	-
Net cash flows from operating activities		<u>402,135</u>	<u>468,918</u>
INVESTING ACTIVITIES			
Additions to furniture and equipment		(2,305)	(1,260)
Proceeds from disposal of furniture and equipment		1,100	-
Additions to investment properties	4	(188,262)	(61,440)
Purchase of financial assets available for sale		-	(58,066)
Proceeds from sale/redemption of financial assets available for sale		-	66,337
Additions to investment in associates	5	(193,895)	-
Financial assets at fair value through profit or loss		18,576	1,395,107
Placement of a term deposit		(400,000)	(1,000,000)
Dividend income received		-	10,821
Interest income received		10,905	-
Net cash flows (used in) from investing activities		<u>(753,881)</u>	<u>351,499</u>
FINANCING ACTIVITIES			
Dividend paid		(1,939)	(8,715)
Proceeds from term loan		-	2,750,000
Repayment of tawarruq payable		-	(3,500,000)
Finance costs paid		(230,685)	(274,580)
Net cash flows used in financing activities		<u>(232,624)</u>	<u>(1,033,295)</u>
NET DECREASE IN BANK BALANCES AND CASH		<u>(584,370)</u>	<u>(212,878)</u>
Bank balances and cash at the beginning of the period		754,747	721,683
BANK BALANCES AND CASH AT THE END OF THE PERIOD		<u>170,377</u>	<u>508,805</u>

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2017

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Ajial Real Estate Entertainment Company K.S.C.P. (the "Parent Company") and its Subsidiary (collectively, the "Group") for the six months period ended 30 June 2017 was authorised for issue in accordance with a resolution of the Board of Directors on 24 July 2017.

The Parent Company is a Kuwaiti public shareholding company registered and incorporated in Kuwait on 26 October 1996. The Group is engaged in real estate, contracting and entertainment activities and all related real estate trading activities, which includes renting, purchasing and selling lands and buildings. The Parent Company's shares are listed on the Kuwait Stock Exchange.

The Annual General Assembly for the year ended 31 December 2016 has not been held until the date of approval of this interim condensed consolidated financial information. Accordingly, the consolidated financial statements for the year ended 31 December 2016 have not yet been approved. The interim condensed consolidated financial information for the six months period ended 30 June 2017 do not include any adjustments, which might have been required, had the General Assembly not approved the consolidated financial statements for the year ended 31 December 2016.

The registered head office of the Parent Company is located at Al Hamra Tower, 26th Floor, Office No. 2, P.O. Box 22448, Safat 13085, Kuwait.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34: "Interim Financial Reporting" ("IAS 34").

The interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD"), which is also the functional currency of the Parent Company.

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016. Further, operating results for the six months period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2016 except for the adoption of the amendments and annual improvements to IFRSs, relevant to the Group which are effective for annual reporting period starting from 1 January 2017 and did not result in any material impact on the accounting policies, financial position or performance of the Group.

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares). Diluted earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. As at 30 June, the Parent Company has no outstanding dilutive potential ordinary shares.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2017

3 BASIC AND DILUTED EARNINGS PER SHARE (continued)

The information necessary to calculate basic and diluted earnings per share for the six months period ended 30 June is as follows:

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Profit for the period	609,191	760,370	1,697,938	1,497,580
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	175,440,825	175,440,825	175,440,825	175,440,825
Basic and diluted earnings per share	3.47 fils	4.33 fils	9.68 fils	8.54 fils

4 INVESTMENT PROPERTIES

	<i>30 June</i>	<i>(Audited)</i> <i>31 December</i>	<i>30 June</i>
	<i>2017</i>	<i>2016</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
As at the beginning of the period/year	64,514,500	64,582,000	64,582,000
Additions	188,262	108,540	61,440
Change in fair value of investment properties	-	(176,040)	-
As at the end of the period/year	64,702,762	64,514,500	64,643,440

Investment properties are categorised as follows:

	<i>30 June</i>	<i>(Audited)</i> <i>31 December</i>	<i>30 June</i>
	<i>2017</i>	<i>2016</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Properties under development	37,565,162	37,433,500	37,386,440
Developed property	27,137,600	27,081,000	27,257,000
As at the end of the period/year	64,702,762	64,514,500	64,643,440

As at 30 June 2017, an investment property with a carrying value of KD 37,565,162 (31 December 2016: KD 37,433,500 and 30 June 2016: KD 37,386,440) pledged as a security against Murabaha payable of KD 10,000,000 (Note 9) (31 December 2016: pledged as a security against Murabaha payable of KD 10,000,000 and 30 June 2016: pledged as a security against term loan of KD 10,000,000).

The fair value of investment properties has been determined on 31 December 2016 based on valuations performed by two independent professional real estate valuers, who are industry specialised in valuing such type of investment properties. One of these valuers is a local bank and the other is a local reputable accredited valuer. Both valuers have used the following methods:

- Properties under development has been valued using the sales comparison approach.
- Developed properties which generates rental income has been valued using the income capitalisation approach.

Management believe that there is no significant change in the fair value of investment properties since latest valuation performed as at 31 December 2016.

Fair value hierarchy disclosures for investment properties are provided in Note 11.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2017

5 INVESTMENT IN ASSOCIATES

Movement in the carrying amount of investment in associates during the period/ year is as follows:

	<i>(Audited)</i>		
	30 June	31 December	30 June
	2017	2016	2016
	KD	KD	KD
At the beginning of the period/year	61,918,745	54,257,785	54,257,785
Share of results	1,561,134	2,027,266	1,547,899
Additions	193,895	-	-
Transferred to investment in associates	-	5,633,694	-
Foreign currency translation adjustments	(47,054)	-	-
At the end of the period/year	<u>63,626,720</u>	<u>61,918,745</u>	<u>55,805,684</u>

6 TERM DEPOSITS

Term deposits are denominated in Kuwaiti Dinars and placed with local financial institution and carries a fixed interest ranging between 1.875% to 2.25% (31 December 2016: 1.76% and 30 June 2016: 2.32%) per annum.

7 SHARE CAPITAL

	<i>(Audited)</i>		
	30 June	31 December	30 June
	2017	2016	2016
	KD	KD	KD
Authorized, issued and paid up share capital (176,400,000 shares of 100 fils each, fully paid in cash)	<u>17,640,000</u>	<u>17,640,000</u>	<u>17,640,000</u>

8 TREASURY SHARES

	<i>(Audited)</i>		
	30 June	31 December	30 June
	2017	2016	2016
	KD	KD	KD
Number of treasury shares	<u>959,175</u>	<u>959,175</u>	<u>959,175</u>
Percentage of ownership	<u>0.54%</u>	<u>0.54%</u>	<u>0.54%</u>
Market value (KD)	<u>126,611</u>	<u>138,390</u>	<u>128,529</u>
Cost (KD)	<u>319,250</u>	<u>319,250</u>	<u>319,250</u>

The weighted average market price of the Parent Company's shares for the period ended 30 June 2017 was 132 fils per share (31 December 2016: 144 fils per share and 30 June 2016: 134 fils per share).

Reserves equivalent to the cost of treasury shares are not available for distribution throughout the period these shares are held by the Group.

9 MURABAHA PAYABLE

Murabaha payable is obtained from a local financial institution, denominated in Kuwaiti Dinar and carries average profit rate of 4.75% per annum (31 December 2016: profit rate of 4.25% per annum and 30 June 2016: Nil), payable on instalments starting from 31 March 2020 and ending on 30 June 2025 and secured by a pledge over an investment property with a carrying value of KD 37,565,162 as at 30 June 2017 (31 December 2016: KD 37,433,500 and 30 June 2016: Nil) (Note 4).

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2017

10 RELATED PARTY TRANSACTIONS

These represent transactions with major shareholders, directors, executive officers and key management personnel of the Group, close members of their families and companies of which they are principal owners or over which they are able to exercise control or significant influence entered into by the Group in the ordinary course of business. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Transactions and balances with related parties included in the interim condensed consolidated financial information are as follows:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Interim condensed consolidated statement of income</i>				
Rent expense (included in property operating expenses and administrative expenses) (an associate)	196,470	197,574	392,940	404,369
		<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
		<i>2017</i>	<i>31 December</i>	<i>2016</i>
		<i>KD</i>	<i>2016</i>	<i>2016</i>
			<i>KD</i>	<i>KD</i>
<i>Interim condensed consolidated statement of financial position</i>				
Dividends payable		143,890	145,829	150,479
Amounts due to (from) related parties		43,344	27,912	(1,644)
			<i>Six months ended</i>	
			<i>30 June</i>	
			<i>2017</i>	<i>2016</i>
			<i>KD</i>	<i>KD</i>
<i>Compensation of key management personnel:</i>				
Salaries and short-term benefits			71,556	21,125
Employees' end of service benefits			8,693	1,625
			80,249	22,750

Amounts due to (from) a related party are interest free and are payable within one year from the reporting date.

11 FAIR VALUE OF FINANCIAL AND NON FINANCIAL INSTRUMENTS

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial assets by valuation technique:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2017

11 FAIR VALUE OF FINANCIAL AND NON FINANCIAL INSTRUMENTS (continued)

Financial instruments

Financial instruments comprise financial assets and financial liabilities

The fair values of financial assets and financial liabilities that are not carried at fair value are not materially different from their carrying amounts except for financial assets available for sale which are carried at cost less impairment amounting to KD 2,855,426 as at 30 June 2017 (31 December 2016: KD 2,855,426 and 30 June 2016: KD 8,648,533)

The following table shows an analysis of the Group's assets recorded at fair value by level of the fair value hierarchy:

	<i>Level 1</i> KD	<i>Level 2</i> KD	<i>Level 3</i> KD	<i>Total</i> KD
<i>As at 30 June 2017</i>				
Investment properties	-	37,565,162	27,137,600	64,702,762
Financial assets at fair value through profit or loss	-	-	226,541	226,541
<i>As at 31 December 2016 (Audited)</i>				
Investment properties	-	37,433,500	27,081,000	64,514,500
Financial assets at fair value through profit or loss	-	-	260,412	260,412
<i>As at 30 June 2016</i>				
Investment properties	-	64,643,440	-	64,643,440
Financial assets at fair value through profit or loss	-	-	239,762	239,762

During the year ended 31 December 2016, the Group transferred its developed properties' fair value from level 2 to level 3 since valuation techniques used certain inputs that are not based on observable market data.

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets, which are recorded at fair value.

	<i>At the beginning of the period/year</i> KD	<i>Net (losses) gains</i> KD	<i>Net purchases, transfers, sales and settlements</i> KD	<i>At the end of the period/year</i> KD
<i>As at 30 June 2017</i>				
Financial assets at fair value though profit or loss	260,412	(15,295)	(18,576)	226,541
<i>As at 31 December 2016 (Audited)</i>				
Financial assets at fair value though profit or loss	260,825	17,408	(17,821)	260,412
<i>As at 30 June 2016</i>				
Financial assets available for sale	330,000	(330,000)	-	-
Financial assets at fair value though profit or loss	260,825	(3,241)	(17,822)	239,762

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2017

11 FAIR VALUE OF FINANCIAL AND NON FINANCIAL INSTRUMENTS (continued)

Description of significant unobservable inputs to valuation of financial assets:

Managed portfolio and funds have been valued based on Net Asset Value (NAV) provided by the custodian of the fund. The information relating to valuation techniques and significant unobservable inputs to valuation to compute the sensitivity of the fair value measurement to changes in unobservable inputs is not available.

Movement in the Level 3 of non-financial instruments is as follows:

	<i>At the beginning of the year KD</i>	<i>Transfer to level 3 KD</i>	<i>Net losses KD</i>	<i>Net purchases, transfers, sales and settlements KD</i>	<i>At the end of the period / year KD</i>
As at 30 June 2017					
Investment properties	27,081,000	-	-	56,600	27,137,600
As at 31 December 2016					
Investment properties	-	27,257,000	(176,000)	-	27,081,000

12 SEGMENTAL INFORMATION

For management purposes, the Group is organized into business units based on their products and services, and has two reportable operating segments as follows:

- Real estate investing activities comprises investment and trading in real estate and construction or development of real estate for the sale in the ordinary course of business and other related real estate services.
- Equities and other investing activities comprise participation in financial and real estate funds and managing the Group's liquidity requirements.

Segment reporting information is as follows:

	<i>Real estate activities KD</i>	<i>Equities and other investing activities KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
Period ended 30 June 2017				
Segment revenue	1,244,013	1,561,134	32,958	2,838,105
Unrealised (loss) on financial assets at fair value through profit or loss	-	(15,295)	-	(15,295)
Finance costs	-	(230,685)	-	(230,685)
Other expenses	(504,753)	-	(389,434)	(894,187)
Segment results	739,260	1,315,154	(356,476)	1,697,938
As at 30 June 2017				
Segment assets	64,702,762	66,708,687	1,722,203	133,133,652
Segment liabilities	380,983	10,000,000	3,022,495	13,403,478

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 INFORMATION (UNAUDITED)

As at 30 June 2017

12 SEGMENTAL INFORMATION (continued)

	<i>Real estate activities KD</i>	<i>Equities and other investing activities KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
<i>As at 31 December 2016 (Audited)</i>				
Segment assets	64,514,500	65,034,582	1,897,836	131,446,918
Segment liabilities	354,352	10,000,000	3,013,276	13,367,628
	<i>Real estate activities KD</i>	<i>Equities and other investing activities KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
<i>Period ended 30 June 2016</i>				
Segment revenue	1,258,968	1,538,687	99,376	2,897,031
Impairment loss on financial assets available for sale	-	(330,000)	-	(330,000)
Finance costs	(274,580)	-	-	(274,580)
Other expenses, net	(501,223)	-	(293,648)	(794,871)
Segment results	757,745	934,107	(194,272)	1,497,580
<i>As at 30 June 2016</i>				
Segment assets	64,643,440	64,693,979	1,695,216	131,032,635
Segment liabilities	372,051	10,000,000	2,575,097	12,947,148